

# Under New Ownership It's Panama's Canal

Colonel William W. Mendel, US Army, Retired

*The canal must always be regarded as a potential target for both conventional and unconventional forces, given its importance to global commerce and for military transits.<sup>1</sup>*

—General Charles E. Wilhelm

ON 31 DECEMBER 1999, after 85 years of US military presence and influence, the Republic of Panama took full ownership and responsibility for the Panama Canal. Full control of the country's sovereign territory offers Panamanians increased esteem and energizes the spirit of economic opportunity. Even in this time of electronic commerce and jet transport, the canal is important to global trade and the economic growth in Latin America. However, as the largest user of the canal, the United States has an economic stake in its future—about 66 percent of the canal's traffic starts or ends at US ports, accounting for 12 percent of US seaborne trade.<sup>2</sup>

Former US President Jimmy Carter and Head of Government for the Republic of Panama, Omar Torrijos Herrera, signed the *Panama Canal Treaties* at the Organization of American States building in Washington, D.C. on 7 September 1977, announcing the return of the canal to Panama at the end of the 20th century. Today, Panama has assumed total sovereignty of the 553 square-mile Panama Canal Zone and takes on the duty of defending the canal and the nation. Panama's new National Security Strategy will guide this effort.

In promoting Panama's National Security Strategy to various political groups, Winston Spadafora, Panama's Minister of Government and Justice, advises that this is the first time that Panama will assume security responsibilities without US support.<sup>3</sup> Faced with threats to its security and sovereignty, Panama needs to activate a coherent, resourced plan for enhancing national security. This article focuses on the major security threats facing the Republic of Panama and discusses the plan underway to strengthen Panama against these threats.

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## A Range of Emerging Threats

As it takes control over its security policy and operations, Panama will have to face up to a wide range of threats that could erode the country's well being. These threats include government ineptness and corruption, crime, drug trafficking, foreign influence, arms trafficking, disrupted canal operations and the loss of sovereignty in border areas due to guerrilla activity, paramilitary forces and criminal groups.

The US Southern Command (SOUTHCOM) considers Panama's internal problems as the most likely threats to canal operations. Labor disputes and civil unrest sparked by low wages, unemployment and poverty could disrupt work at the canal and elsewhere in the country.<sup>4</sup> During recent Congressional testimony, SOUTHCOM commander-in-chief, General Charles E. Wilhelm, expressed concern over the potential for ungoverned development in the former canal zone. Former President Jimmy Carter expressed this same concern during the 14 December 1999 canal transfer ceremony. Without tight control by the Panamanian government, the vital watershed that supplies the 52 million gallons of fresh water needed for each ship to pass through the canal's locks would be at risk.

In the years since the *Panama Canal Treaties* were signed, Panama's governments have been unwilling and unable to control peasant infiltration into the pristine forest lands formerly controlled by the canal authorities. Slash-and-burn agriculture

and subsequent cattle grazing have already significantly degraded the Chagrés River Basin which supplies most of the canal water. Water reserves for Panama City, Panama, are also at risk. Inadequate controls and outright corruption could allow continued destruction of the country's central forest reserves and cause increased silting in the rivers and uneven water supplies. Government corruption is a national danger that Panama acknowledges.<sup>5</sup>

**A national anticorruption effort.** Government corruption was a recurrent issue during the transfer of governments from the Ernesto Pérez Balladares Administration to that of President Mireya Moscoso. Moscoso's inaugural speech emphasized the need to stamp out corruption, drug trafficking and incompetent bureaucracy. Low pay in law enforcement, the government work force and the judicial system tempts incumbents to use their positions for financial gain. As an example, Moscoso expressed concern about late appointments to the court that were made by the outgoing Balladares Administration allegedly to stymie investigations of a scandal involving the sale of thousands of Panamanian visas to Chinese citizens.<sup>6</sup>

Moscoso's National Anti-Corruption Office in the Ministry of Economy and Finance is drafting a code of ethics for government officials and legal sanctions for government crooks. Corruption and inefficiency within the justice system can leave Panama vulnerable to wealthy international criminals such as narcotraffickers, gunrunners and Colombia's drug-enriched guerrilla and paramilitary groups.

**Crime in Panama.** Robbery, mugging and other forms of petty crime have been significant problems in Panama City and Colón for many years, so much so that both tourists and residents must take precautions to avoid becoming victims. Once driven by poverty and unemployment, Panamanian crime has leaped since the introduction of drugs (crack cocaine or *bazuco*) in the 1980s. Panamanian drug dealers who act as middlemen for the transit of drug products from Colombia to Mexico and the United States are often paid in cocaine and heroin. Their need to exchange these drugs for money has turned Panama into a country with a drug-abuse problem.<sup>7</sup> The US State Department estimates that 20 percent of drug seizures in Panama are destined for consumption by local Panamanians, especially city youths and Kuna Indians. Additionally, Vice President Dominador Kayser Bazan stated his concern about the wave of kidnappings in the country and called for increased penalties for such crimes.

**Drug trafficking and money laundering.** Panama is not a drug-producing country, but its strategic location, container shipping industry, free-trade zone, robust banking industry, government corrup-

tion and bureaucratic lassitude make it an inviting transit and distribution center for illicit drugs and money laundering.

The country is one of the world's major drug transshipment locales because of its inability to control air, sea and land entry. Panama serves as a transfer base for passing cocaine and heroin products from

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Andean Ridge countries to consumers principally in North America, but also in Europe and Asia. As the US State Department has indicated, "shipments dropped off in Panama are repackaged and moved northward on the Pan-American Highway or depart in sea freight containers."<sup>8</sup> Small, single- and twin-engine aircraft and larger commercial aircraft also move the contraband. Panama also serves as a conduit for passing money and essential illegal chemicals southward to the drug-producing countries.

The 1,600 commercial import/export companies in the Colón Free Zone, are fulfilling Jimmy Carter's vision, relayed at the transfer ceremony, that Panama become the Singapore of this hemisphere. The Colón Free Zone Administration functions as a semiautonomous department of the Government of Panama. According to the zone administration, "importers specialize in bringing in container-loads of goods and breaking them down for resale." This activity helps make the Colón Free Zone an inviting environment for transnational merchants of death—gunrunners and drug traffickers. However, a disclaimer on the free zone website insists that "strict measures to thwart money laundering and brand-name piracy are in place."<sup>9</sup>

Panama has long been an important international trading, banking and financial services center—and a site for foreign direct investment. Panama's economy is characterized by low inflation and zero foreign exchange risk because of its connection to the US dollar. In early 1998, Panama enacted a new banking law intended to detect and deter money laundering.<sup>10</sup> Yet, even though Panama is a global center of finance (or because of it), the country has not been able to pursue transnational crime and money-laundering cases effectively within its criminal justice system due to evidentiary standards

which put prosecutors at a disadvantage. In practice, Panama has established a business environment that is open to the influence of legitimate international interests as well as emerging threats like transnational crime.

**Foreign influence and control.** When the United States gave Panama full control of the canal, critics raised concerns about foreign influence and control over the canal's operation—particularly during an

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international crisis. Prompting the concern was the potential strategic reach of the Chinese military through the financial interests of Hong Kong tycoon billionaire Li Ka-shing, whose fortune and power derive from his connections to the government of the People's Republic of China.<sup>11</sup> Panama Ports Company, a subsidiary of Hutchesson Port Holdings of Hong Kong shipping firm Hutchesson-Whampoa, Ltd., began a 25-year lease (with an 25-year renewal option) to operate port facilities at Balboa (Pacific side of the canal) and Cristobal (Atlantic side of the canal). This arrangement benefits China, which is the third-largest user of the canal and sells more than \$1 billion in goods a year through the Colón Free Zone.<sup>12</sup>

Chinese investment in the canal is more representative of foreign investors attracted to opportunity in Panama than a threat to control the operations of the waterway. Taiwan also has an extensive business presence in the canal area.<sup>13</sup> Besides, the Constitution of Panama reserves direct authority and control over the canal.<sup>14</sup>

According to Chinese officials, the idea that the People's Republic of China is attempting to influence or take over the Panama Canal is "sheer fabrication with ulterior motives."<sup>15</sup> Nonetheless, Chinese immigration has been increasing in recent years. The Chinese, originally a source of labor on the transisthmian railroad, now represent somewhere between 4 and 8 percent of the population.<sup>16</sup> This is about the same number of citizens as Panama's indigenous peoples of the Kuna, Guaymie and Chocoe tribes.

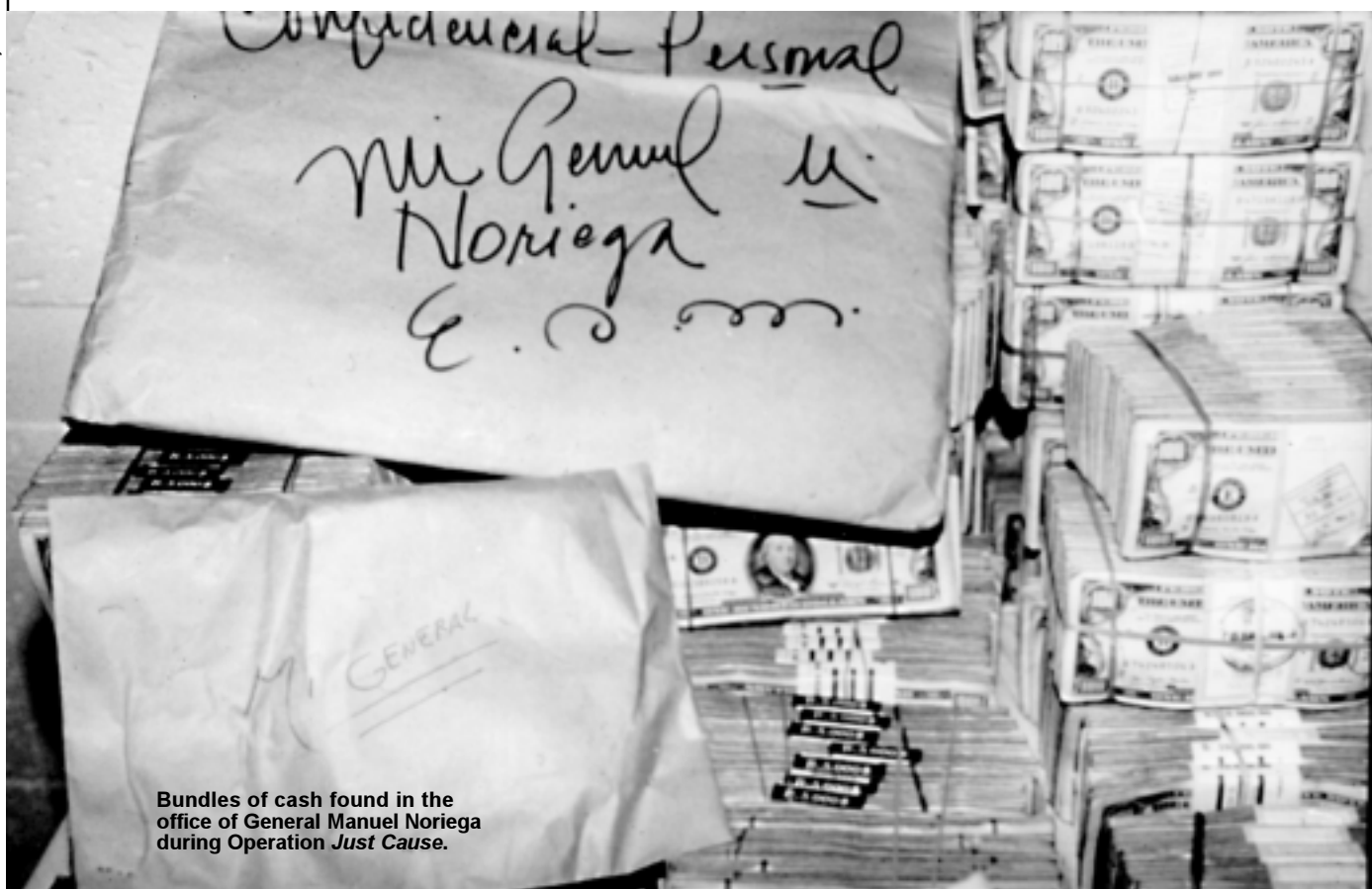
Wilhelm testified before Congress that China's interest in Latin America is unrestricted access to trade and natural resources. China now has \$8.2 billion invested with over 200 commercial enterprises in the region, suggesting that the threat is expanding Chinese influence throughout Latin America and not a specific threat to the canal.<sup>17</sup>

From a Panamanian point of view, intervention by the United States is a more credible threat than a Chinese takeover. A Chinese Communist newspaper expressed Panamanian concerns in the inflamed rhetoric popular with some in Panama: "People who pose as the 'world policeman' . . . are false in showing 'concern' for the 'security' of others, and . . . their real intention is to create public opinion and pretexts for armed intervention in the sovereignty of other countries. . . . [T]he US military presence along the Panama Canal is not for the purpose of protecting the canal or being concerned about our borders, and still less is it for the sake of Panama's security; it is for the purpose of preserving US strategic interests."<sup>18</sup>

US contingency operations responding to rampant narcotrafficking and corruption or to Panama's loss of control of Darién Province to Colombian-based guerrilla and criminal activities (a concern as the US is now planning greater involvement in the Colombian narcoinsurgency) seem to Panamanians like plausible scenarios for US intervention and give impetus to the need to quickly put Panama's National Security Strategy into action.

**Arms trafficking.** Gunrunning across Panama's borders from neighboring Costa Rica and Colombia continues. Since the drawdown of Central American conflicts in Guatemala, Honduras, El Salvador and Nicaragua, enterprising criminals have transshipped leftover arms and munitions through Costa Rica to Panamanian ports, and then on to South American markets. A few years ago, a steamroller drum full of weapons exploded as it was being cut open with a welding torch by suspicious Judicial Technical Police, killing three persons and injuring 26 others at Colón Province's Cristobal Port. Those particular weapons were probably headed to Peru, although Colombian guerrilla groups are usually the primary buyers of illicit weapons.<sup>19</sup>

Typically, arms shipments travel along Costa Rica's northern coast to Panamanian border ports like Almirante and Bocas del Toro, then along Panama's coast to Colón or adjacent Coco Solo. The contraband includes AK-47 automatic rifles, hand grenades and other explosives. The weapons then proceed via border towns such as Puerto Obaldia on Panama's Caribbean coast through the Gulf of Urabá and subsequently to Colombian insurgents and drug traffickers.<sup>20</sup> The increased presence of Colombian



Bundles of cash found in the office of General Manuel Noriega during Operation Just Cause.

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Navy units in the Gulf of Urabá during the past year is shifting the gunrunning to Pacific Ocean routes.

According to Panama's First Superior Court Prosecutor Edwin Alvarez, payment for guns is made with cash or drugs.<sup>21</sup> An AK-47 rifle worth \$400 in Central America can fetch \$2,000 or more in South America. To counter the contraband traffic, Panama typically stations several patrol craft of its National Maritime Service at border ports on the north and south coasts, but the sea areas are vast. Panama's small "coast guard" cannot protect the San Blas and Darién littorals from pirate raids against coastal shippers and fishermen, and it certainly has trouble controlling gunrunning and Colombian guerrilla incursions. Aside from calling into question Panama's competence to handle transnational threats, these dangers have had no impact on the canal's operations.

### Defending the Canal

Panamanians recognize the difficulty of defending the canal. It is vulnerable to a number of threats such as sinking a ship in the waterway, direct action by special operations forces using explosives

against critical nodes, destruction of the watershed by unsound environmental practices and even a downturn in operational efficiency due to corruption or poor management. As a linear target stretching through waterways and jungle, the canal is nearly impossible to defend traditionally. Although reasonable measures can forestall or respond to terrorist actions, protection begins with a policy of neutral canal operations. Indeed, the *Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal* declares that the canal shall be permanently neutral so that the canal and Isthmus of Panama will not be the target of reprisals in any armed conflict.<sup>22</sup>

By the *Neutrality Treaty*, the United States is assigned the responsibility and right to "act against any aggression or threat directed against the canal or against the peaceful transit of vessels through the canal."<sup>23</sup> Hundreds of US warships, including submarines, transit the canal each year. Thus, SOUTHCOM war gamers have worked out processes by which any direct threat to high-value shipping or to the canal can be met with a United States-based joint task force operating in cooperation with



The Panamanian Vosper-type patrol craft *Panquiaco*.

Jane's Information Group Limited

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Panamanian Public Forces (PPF). Officers of the PPF, particularly the Maritime Service, will participate in developing future contingency plans for defending the canal.<sup>24</sup>

The government of Panama understands that the canal is important to global trade and has been willing to seek outside help with protection issues. It has vigorously sought help from Canada, Taiwan and trading nations in Europe for canal defense assistance. For the moment no one appears to menace the canal, but Panama faces other, more imminent threats.

### **Panama's Vulnerable Frontier**

Panama's most contentious national security issue is control of its border areas—particularly the border with Colombia. Colombia's internal war has become intense in the last five years, and there has been a spillover effect as the warring factions cross into neighboring countries. Colombian belligerent forces include two guerrilla groups. The National Liberation Army (ELN), under Pablo Beltran, operates in Colombia's northern areas; the Revolutionary Armed Forces of Colombia (FARC), under Manuel Marulanda, operates in the central and southern areas of Colombia, including the areas along the Colombia-Panama border. When the

FARC advances into Panama to establish sustainment bases, bands of paramilitary forces follow the guerrillas to harass and attack them. The paramilitary units are organized under the banner of the Colombian United Self-Defense Forces (AUC), lead by Carlos Castaño. The AUC is widely thought to be encouraged by some leaders in the Colombian Armed Forces.

Numerous false reports on activities along the border with Colombia have detracted from a national consensus about Panama's response. Remarks by officials about the deluge of border incidents range from denial to demands for action, suggesting a variety of political interests in the crisis. President Moscoso is concerned for defending the national patrimony; national police officials are focused on law enforcement; and Panamanians living in remote, easternmost San Blas and Darién Provinces fear harassment and brutalization by Colombian paramilitary forces, guerrillas, pirates and common criminals.

The idea that foreign combatants and lawless elements freely violate Panamanian sovereignty embarrasses the central government, diminishes its legitimacy and suggests the impotency of the PPF. Among 1,200 Panamanians recently surveyed, 70 percent felt that Panama cannot protect its borders.<sup>25</sup> The eastern part of the country, where only two percent of the population lives, has been invaded, and its citizens have been harassed and displaced from their homes. The country needs to find ways to defend the area. This was made all the more urgent when Castaño said last September, "[W]e have declared as military targets all members of the Panamanian National Police who are working in open collusion with the FARC along the border."<sup>26</sup>

Border incursions by Colombian paramilitary and FARC groups have been especially prevalent along the border with Colombia since the mid-1990s. Colombian Army units pursuing the FARC have crossed into Panama.<sup>27</sup> While the FARC fronts have violated Panamanian sovereignty by positioning units in Panama for resupply, training and rest, harassment of Panamanians has come mainly from paramilitary groups that resent the sustenance afforded to the FARC.

Underscoring current priorities, former Foreign Minister Jorge Ritter stated that guerrillas in the Darién area do not threaten the canal since its operations are not related to the border situation.<sup>28</sup> This assessment is not reassuring, since FARC operatives reached all the way into Panama City in November 1999. The insurgents captured two helicopters from the Albrook airport and flew them via San Blas Province to Colombia for use in medical evacuation and supply transport.<sup>29</sup>



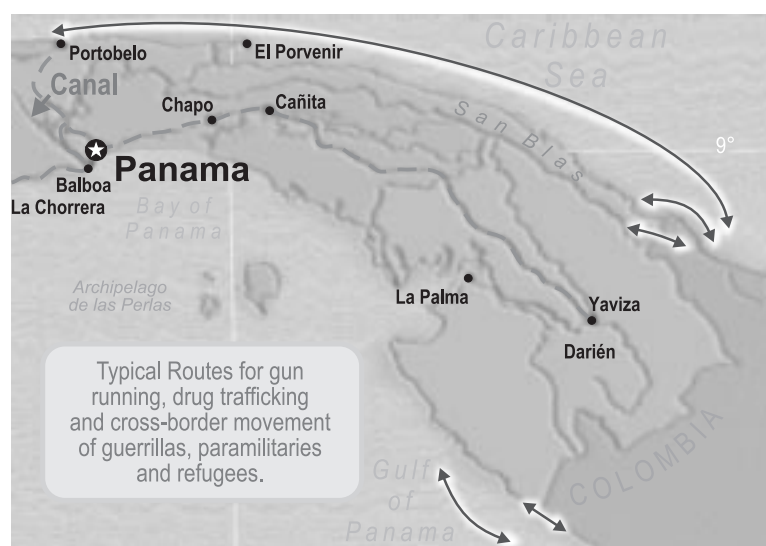
An illustrative border incident occurred last year at La Miel, a small Panamanian village in the Kuna Yala Indian region on the north coast at Shark Cape (Cabo Tiburón) and just a kilometer west of the Colombian village of Sapzurro. In April and May 1999, several hundred troops from the FARC's 57th Front (and possibly other fronts) raided the Colombian town of Sapzurro (on the Gulf of Urabá), then moved westward into Panama's Kuna Yala Indian territory.<sup>30</sup> Panama's Indian communities of La Miel, Armila and Puerto Obaldia were directly threatened by the heavily armed guerrillas. Even paramilitary forces of the AUC were spotted in the area. By June, 120 Panamanians from La Miel fled the border area to safer provinces after FARC guerrillas appeared in their village.

Telemetro Television Network reporter Angel Sierra visited with more than 50 guerrillas of the FARC front and with La Miel residents. Sierra reported that the main concern was that paramilitaries of the United Self-Defense Group would move into the area and kill any villagers thought to be associated with the guerrillas.<sup>31</sup> Meanwhile, Darién Bishop Romulo Emiliani asked for increased security in the area to protect against the spillover of the Colombian war. But Mariela Sagel of the justice ministry denied that police were fleeing the La Miel area in advance of the guerrillas. The La Miel danger was minimized by former National Police Director Gonzalo Menendez Franco who advised that armed people have been in the area for 25 years and that "there is no violence on the Panamanian-Colombian border."<sup>32</sup> Meanwhile, Enrique Garrido, Deputy at the Kuna Yala territory observed that both guerrillas and paramilitary Self-Defense Forces of Córdoba and Urabá were in the area preparing for a fight, and that "residents have readied their boats to flee."<sup>33</sup>

President Moscoso has suggested cooperating with Colombia to set up a security cordon on the border to assure residents' safety. Moscoso wants to train policemen in counterinsurgency tactics and provide the necessary equipment to make them effective.<sup>34</sup> The Border Police Service (SEF) now has over 2,000 personnel stationed throughout Darién Province.<sup>35</sup> The turbulence at the border has given rise to the additional problem of illegal immigration.

## Refugees and Immigration

Refugees crossing the border from Colombia into Darién represent another threat to Panama's sovereignty because they are linked to the border conflict and the incursions carried out by the FARC and AUC. The growing number of Colombians crossing over the border to seek safety in Darién has gained international attention. The US Committee for Refugees reported in 1997 that Panama had forc-



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ibly returned 90 Colombian asylum-seekers. This report energized the United Nations High Commissioner for Refugees to negotiate with Panama on minimal rules for processing refugees. Rules included adherence to the principles of *non-refoulement* (unforced return) and temporary security for refugees. As with the border incursions of irregular armed groups into Darién, the issue of protecting refugees is problematic for a country that can not protect its own citizens in remote border areas.<sup>36</sup>

Colombian refugees can place heavy demands on Panama's resources. When FARC guerrillas from several fronts overran the Colombian port city of Jurado (on the Pacific side) almost 500 Colombians fled 65 kilometers along the southern coast to Jaque, Panama. Fortunately, several humanitarian organizations provided refugee assistance, and by March 2000, about 100 Colombians had returned to their homes in Jurado.<sup>37</sup> The situation is similar on Panama's Caribbean coast in easternmost San Blas Province. Conflict in Colombia's Gulf of Urabá region has driven refugees west, toward Puerto Obaldia.

At the end of 1998, Panama's National Organization for Refugee Attention identified over 600

Colombian asylum-seekers in Panama. According to the US Committee for Refugees, Panama had 1,300 refugees in 1998, 600 from Colombia and 700 from other nations such as Nigeria, Sudan,

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Algeria, Peru and Cuba. An additional 7,000 Colombians live in Panama with legal migrant status obtained through Panama's 1994 *Migratory Regularization Act*.<sup>38</sup>

### Planning for National Security

In November 1999, a Panamanian diplomatic mission headed by Foreign Minister Jose Miguel Aleman met with Peter Romero, US Assistant Secretary of State for Inter-American Affairs, to discuss the draft National Security Strategy, US support for Panamanian social programs and greater US market access.<sup>39</sup> The bilateral discussions covered four areas for potential assistance: national security, trade and agriculture, law enforcement and social issues.

A primary concern was developing a national security strategy for Panama that could quickly fill the security void created by US military departure. The planning process included a strategic assessment, identifying Panama's national security interests and developing the ends, ways and means of the strategy. With some assistance from US planners, President Moscoso's national security team developed 11 campaign plans to implement her strategy. These plans address elements of national power and responsibility such as health, education, transportation, agriculture, environment, trade and border security.

Within this planning framework, the Moscoso vision for Panama's future includes a stable, economically prosperous democracy that can ensure human rights and secure the national patrimony. Threats that could unhinge this vision include the aforementioned social instability, government corruption, transnational crime, border security, disruption of canal operations and environmental degradation of Panama's environment (especially the canal watershed).

**The ends, ways and means of Panama's strategy.** Principal strategic objectives of Panama's Na-

tional Security Strategy include securing the prosperity and welfare of all Panamanians and integrating Panama into regional affairs. Generalized concepts for achieving these objectives include:

- Participating in bilateral and multilateral security agreements;
- Integrating marginalized sectors of society into Panama's mainstream; maximizing the effectiveness of the PPF;
- Establishing a national-level command and control infrastructure;
- Encouraging judicial reform;
- Employing the PPF to establish border control; and
- Securing the canal through a regimen of strict neutrality.

To date, Panama's National Security Strategy has not received final approval from President Moscoso. It is likely to be validated and placed into action by a Presidential Decree (similar to the way a US National Security Decision Directive is activated) because waiting for congressional action is certain to induce various contending national security schemes sponsored by political parties.

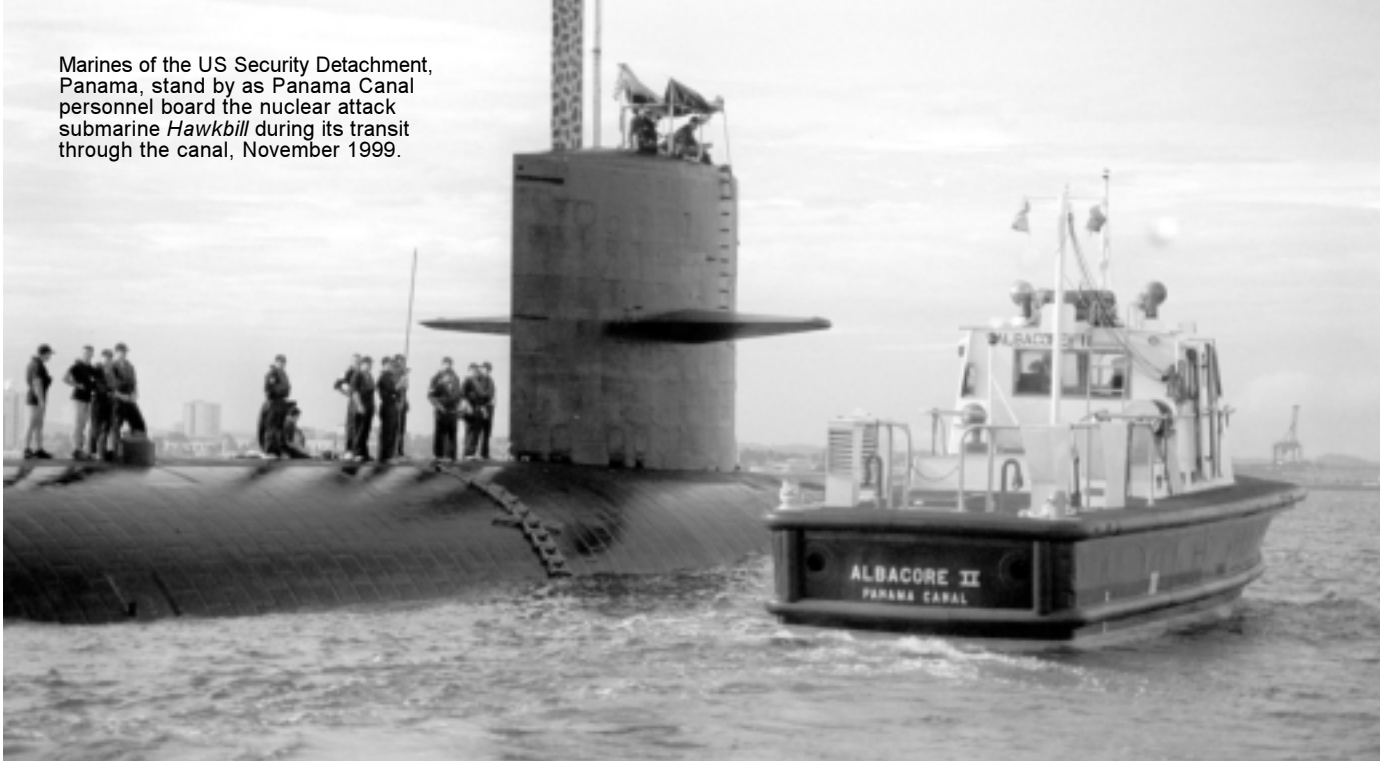
It may be difficult to find adequate resources to implement the security strategy. Panama's population (2.8 million, with 37 percent living below the national poverty line) and gross domestic product (GDP) of \$9.1 billion demonstrate that resources are limited.<sup>40</sup> Services represent 76.2 percent of the GDP, and this is a difficult sector from which to generate new tax revenue. The government will have trouble turning the illicit banking (money laundering) industry into a legitimate structure that can be profitably taxed.

Legitimate industry, drug traffickers and smugglers use the Colombian Black Market Peso Exchange (BMPE) to filter millions of dollars through Panama each year.<sup>41</sup> Money passed through the BMPE and other schemes finds its way into "legitimate" business development in Panama but is not immediately taxable. The canal, with sound management, will pay for its own operation in the near term; however, it will hardly be a cash cow for the government's treasury.

Panama will lean heavily on foreign assistance, and the US government will likely underwrite Panama's National Security Strategy. Over the next several years Panama will benefit from sharing intelligence with SOUTHCOM and participating in its exercises and other activities. The PPF will likely receive annual assistance for training and modernization through US international military education and training assistance (\$100,000 per year) and foreign military financing assistance (\$590,000 per year).

Marines of the US Security Detachment, Panama, stand by as Panama Canal personnel board the nuclear attack submarine *Hawkbill* during its transit through the canal, November 1999.

Lance CPL Michael I. Gonzalez, 2d Marine Division



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SOUTHCOM provides vital assistance to the Panamanian government in developing a national security strategy and some of the means necessary to make it work. Through its regional engagement plans, SOUTHCOM will assist with building national level command and control procedures for directing the security forces, including a national level command, control, communication and intelligence (C<sup>3</sup>I) system. Panama's security strategy will define the roles and missions of the PPF, and SOUTHCOM will assist the PPF with emergency planning, equipment modernization and training. The objective is an effective national C<sup>3</sup>I system and a modernized PPF that can secure the canal and provide security throughout the rest of the country.<sup>42</sup>

The United States is making considerable effort to help Panama launch its new security strategy, so additional forms of security assistance will come from the US Departments of State, Justice and Transportation. For example, the State Department's International Criminal Investigative and Training Assistance Program is providing law enforcement training and education to improve the professionalism and capabilities of Panama's police.<sup>43</sup>

US assistance is imperative because Panama's success will contribute to US interests as well. The US Ambassador to Panama has made it his duty to help Panama develop a professional defense staff, improve the PPF and build a professional national police force. The National Maritime Service and Air

Service will be assisted to expand their capabilities for search and rescue, counter drug and disaster relief operations. The United States intends to help the PPF with its missions of securing Panama's canal and border areas because Panama's current force is not up to the task.

**Panama's Public Force.** With the US destruction of the Panama Defense Forces in 1989 and their constitutional abolition in 1994, there is a strong opposition to remilitarizing Panama—even after the full withdrawal of US forces in 1999. Implementing defense and security dimensions of Panama's security strategy will be difficult since PPF totals about 15,000 people. The challenge is to better utilize and improve a force that is lightly equipped and undertrained.

National defense falls on the civilian-controlled public force, made up of four services. These include the Panamanian National Police (PNP), a coast guard called the National Maritime Service (SMN), the National Air Service and the Institutional Protective Service (SPI).

The PNP is the largest of the four national services, having more than 13,000 officers. The PNP is a paramilitary force, organized into 13 police zones, with one military police battalion, eight military police companies and 18 civil police companies.<sup>44</sup> Its mission is to uphold the constitution, provide for public security, conduct riot control and protect the national patrimony. Acting jointly with



the maritime and air services, the PNP shares the principal burden for defending the border regions.

In addition to the PNP units, Panama has the Judicial Technical Police (PTJ), responsible for conducting criminal investigations. The PTJ has about 1,000 officers. The PTJ counternarcotics squad, located with the Public Ministry's drug prosecutor, works with the United States in bilateral counterdrug efforts. In 1999 the Panamanian National As-

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sembly transferred the PTJ from the attorney general to the supreme court. The US State Department reports that the results have been "serious deterioration in law enforcement cooperation to the extent that meaningful investigations, police work and . . . prosecutions have been negatively affected."<sup>45</sup>

The National Maritime Service has approximately 600 personnel and 20 patrol boats of various sizes. It is being transformed into a paramilitary coast guard but will need additional equipment and training to provide adequate security for regulating the canal, defending the sea approaches to the frontiers and contributing to the counterdrug effort.

The National Air Service is a small transportation force with most of its aircraft based at Tocumen International Airport near Panama City. It has as many as 25 light fixed-wing and helicopter aircraft, plus another dozen UH-1 Huey transport helicopters.<sup>46</sup> This air transport capability will be critical if Panamanian forces are to operate jointly against the emerging threats.

Similar to the US Secret Service, the SPI protects dignitaries but has taken on the additional responsibility of protecting the canal and is currently undergoing special training to prepare for that mission. The SPI, with about 400 personnel, could be reinforced with other public security units. SPI units have been stationed at Espinar to oversee the Gatun Locks, at West Corozal to secure locks and the canal entrance on the Pacific side, while the SMN will reinforce the effort from Rodman naval base.<sup>47</sup>

The modernization and professionalization of these forces will be critical for launching Panama's security strategy on a solid footing. Minister of Justice Spadafora, a member of the core group that de-

veloped Panama's National Security Strategy, looks beyond the public forces for success. He sees the republic's strategy supported by three pillars: national security, internal security and democratic responsibility.<sup>48</sup>

## Looking Ahead

Panama can be expected to advance an integrated national security policy that pursues economic, social and security interests. Major objectives will be to provide for a secure environment and economic development that can improve the living standards of Panamanians now living below the national poverty line.

A policy of regional engagement will enhance Panama's national security, particularly through interaction with those nations that have trading interests in the canal. The *Panama Canal Treaties* provide a ready means to engage the global community as nations will expect and support the strict neutrality of the canal and its access for all.

The United States will encourage regional efforts to assist Panama with its security and development issues, but members of the Organization of American States with trading interests closely linked to the canal (such as Peru, Ecuador and Venezuela) have their own political and security concerns and will likely not provide much more than cheerleading from the sidelines. Resolution of Panama's security issues will be closely linked to US interests and willingness to assist.

Darién Province seems certain to continue to present problems for Panama's government but without affecting the canal's security and operations any time soon. The security situations in Darién and San Blas Provinces will remain a challenge for Panama and its citizens there.

Former National Police Director José Luis Sosa rebuked SOUTHCOM officials for being overly concerned with a problem that has gone on for 40 years: "[W]e now have many Darién experts who have discovered the wheel."<sup>49</sup> The country has successfully ignored the problem to avoid conflict with the FARC, AUC and the Colombian military—and to avoid intervention by the United States. This policy will likely continue, whatever the strength of the new national security plan, but Darién will be hard to keep on the back burner when the kettle boils over in Colombia.

Meanwhile, as US joint forces stand ready should a significant threat to the canal arise, no such crisis is on the horizon. Rather, Panamanians will prefer security assistance, counterdrug cooperation and law enforcement training and assistance as the US vehicles for cooperative engagement with the republic. **MR**

## NOTES

1. General Charles E. Wilhelm, US Marine Corps, Commander-in-Chief, US Southern Command, "Testimony before the Senate Armed Services Committee," Washington, DC, 22 October 22, 1999, Internet site <[http://www.state.gov/www/policy\\_remarks/1999/991022\\_wilhelm\\_panama.html](http://www.state.gov/www/policy_remarks/1999/991022_wilhelm_panama.html)>, accessed 21 March 1999.
2. US State Department, Bureau of Western Hemisphere Affairs, "Background on Panama Canal Transfer," Internet site at <[http://www.state.gov/www/regions/wha/panama/991207\\_fs\\_panacanal.html](http://www.state.gov/www/regions/wha/panama/991207_fs_panacanal.html)>, accessed 23 March 2000.
3. Ortega Luna, "Government Minister on Plans to Abort Security Plan," *El Panama America*, 19 February 2000, FBIS LAP20000219000014.
4. Mark Falcoff, *Panama's Canal* (Washington: AEI Press, 1998), 46. Falcoff reports on a 1992 study effort with Richard Millet which found that "40 percent of Panamanians in urban areas were unemployed or underemployed (45 percent in rural areas). More than half between the ages of 15 and 24 were unemployed and two-thirds of those had even given up looking for work. Three of eight Panamanians were determined to live in poverty . . . [and] . . . income disparities in Panama were among the highest in Latin America."
5. *Ibid.*
6. "Moscoso Promises to Repeal Harmful Legislation," *Caribbean and Central American Report*, Latin American Newsletters, 28 September 1999, rc-99-08, Internet sit at <<http://www.latinnews.com/>>, accessed 1 October 1999. "The outgoing . . . administration of President Balladares made its attitude clear by wiping out the memories of the computers of the presidency and several ministries."
7. US States Department, Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report*, 1999 (Washington: US State Department, March 2000), Internet site at <[www.state.gov/www/global/narcotics\\_law/1999\\_narc\\_report/camex99\\_part3.html](http://www.state.gov/www/global/narcotics_law/1999_narc_report/camex99_part3.html)>. In 1999, Panamanian authorities seized 2,576 kilograms of cocaine, 1,558 kilos of marijuana, and 46 kilos of heroin.
8. *Ibid.*
9. "Colón Free Zone, Commercial Showcase of the Continent," *The Complete Guide to the Colón Free Zone*, Panama, Internet site at <<http://www.colonfreezone.com/>>, accessed 28 March 1999.
10. US State Department, Bureau of Western Hemisphere Affairs, "Background Notes: Panama," January 2000, Internet site at <[http://www.state.gov/www/background\\_notes/panama\\_0100\\_bgn.html](http://www.state.gov/www/background_notes/panama_0100_bgn.html)>, accessed 23 March 2000.
11. Glenn Garvin, "Canal Deal Gives Strategic Edge to China, Critics Charge China-Panama Canal Deal Draws Scrutiny," *Miami Herald*, 25 August 1999. According to Garvin, "Li and his business empire are linked to several companies known as fronts for Chinese military and intelligence agencies. One of the companies has been indicted for smuggling automatic weapons into the United States. . . . Li has also been accused of helping to finance several deals in which military technology was transferred from American companies to the Chinese army." Also see Congressman John L. Mica, US House of Congress, "China's Interest in the Panama Canal," Speech Before Congress, 27 April 1999, Internet site at <<http://www.cox.house.gov/mica/hdactive/jpg>>, accessed 7 November 1999. Mica asserts: "Hutcheson has worked closely with the China Ocean Shipping Company, COSCO. COSCO, you may remember is the PLA, and the PLA is the Chinese Army, PLA-controlled company that almost succeeded in gaining control of the abandoned naval station in Long Beach, California."
12. "Balancing the China Connections, Concern in US Congress at Growing Influence of Peking," *Caribbean and Central American Report*, Latin American Newsletters, 28 September 1999, rc-99-08, Internet, <<http://www.latinnews.com/>>, accessed 1 October 1999.
13. *Ibid.* "Taiwan . . . has a container handling operation at Coca Solo, at the Caribbean end of the canal, and the Evergreen group, which runs it, also has construction, port and hotel projects under consideration. . . . about 10 Taiwanese companies are installed in the Fort Davis industrial park, and the Taiwanese construction company King Hsin is bidding to build a second bridge over the canal, at a cost of US \$270 m."
14. Constitución Política De La República De Panamá De 1972 Reformada Por Los Actos Reformatorios De 1978, Por El Acto Constitucional De 1983 Y Los Actos Legislativos De 1983 Y 2 De 1994, Título XIV El Canal De Panamá, Base de Datos Políticos de las Américas, Georgetown University, Internet at <<http://www.georgetown.edu/LatAm/Political/Constitutions/Panama/panama1994.html>>, accessed 24 March 2000. "Artículo 309.- El Canal de Panamá constituye un patrimonio inalienable de la Nación panameña; permanecerá abierto al tránsito pacífico e ininterrumpido de las naves de todas las naciones y su uso estará sujeto a los requisitos y condiciones que establezcan esta Constitución, la ley y su Administración."
15. Zhu Bangzao, Chinese Foreign Ministry, "Spokesman Denies PRC Attempting To Control Panama Canal," *Beijing Xinhua* (New China News Agency, China's official English-language), FBIS FTS20000113000488. Conversely, the *Washington Times* cited declassified Army and Defense Intelligence Agency documents (obtained by Judicial Watch under the *Freedom of Information Act*) that concluded that Li Ka-shing was planning to take over operation of the Panama Canal. The report is said to conclude that Chinese intentions with the Canal are strategic and "also a means for outside financial opportunities for the Chinese government." Also see Bill Gertz, "Chinese Businessman Eyed Canal Control, Pentagon Says," *Washington Times*, 5 April 2000, 3.
16. "Population Patterns," *Panama Country Handbook*, Marine Corps Intelligence Agency (with permission), February 1999, Intranet site at <<http://www.mcia.osis.gov/new/products/handbook/>>, accessed 24 March 2000.
17. General Charles Wilhelm, "Testimony before the Senate Armed Services Committee." Panama offers China another way to penetrate US and Latin American markets, maneuver around government tariffs and other restrictions. For example, raw materials and components might be shipped through the Colón Free Zone to Manaus, Brazil; sneakers assembled there can be shipped for retail sales

in Rio De Janeiro and Sao Paulo. Currently Miami, Florida is the main port of entry for "back door" marketing in the US, but increased capabilities in Panama offers China the opportunity to exploit ports at the US southwest border and west coast.

18. "Guan Yanzhong, International Forum," *Beijing Renmin Ribao*, (*People's Daily*, newspaper of the CPC Central Committee) 30 June 1999, FBIS FTS19990630000579. This article and others in Panama respond to General Charles E. Wilhelm's assessment to the Senate Foreign Relations Committee, 22 June 1999. It caused some consternation in Panama. He said, "I have concerns about the ability of local security forces to deal with the security challenges that confront Panama. The Panamanian Public Forces are neither organized nor equipped to deal with incursions by Colombian insurgents into the Darién and San Blas Provinces. The Maritime Service has already expressed reservations about their capabilities to provide for canal security requirements and we have detected recent indications of an upsurge in drug trafficking in and around Panama."

19. "Roundup of Guerrilla Activities in Darién," *Panama City Telemetro Television Network*, 24 November 1997, FBIS FTS 19971127001282.

20. Juan Manuel Diaz, "Ports Said Being Used for Arms Trafficking From Central America," *El Panama America*, 16 November 1996, FBIS, FTS 19961116000234. Also see Goris Armando Gomez, "Panama Investigates Gunrunning at Costa Rican Border," *La Prensa* (Panama City), 15 December 1999, FBIS FTS 19991215001964.

21. Boris Armando Gomez, "Panama Investigates Gunrunning at Costa Rican Border."

22. US State Department, Article II, *Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal*, in *Texts of the Panama Canal Treaties with United States Senate Modifications*, Internet site at <[www.usia.gov/regional/ar/panama/treaty1.htm](http://www.usia.gov/regional/ar/panama/treaty1.htm)>, accessed 14 March 2000.

23. *Ibid.*, Article IV as amended.

24. General Charles Wilhelm, "Testimony before the Senate Armed Services Committee."

25. Hermes Sucre Serrano, "SPI Director on Preparations for Canal's Protection," *La Prensa* (Panama City), 3 January 2000, FBIS FTS20000104000009.

26. "Panama: In the Jaws of War," *Semana Magazine* (Santa Fe de Bogota), 27 September 1999, FBIS FTS 19990930001940.

27. Mark Falcoff, *Panama's Canal*, 70. Falcoff writes that "[B]y the summer of 1997 the situation had become so serious that Panamanian authorities were granting permission for Colombian Army troops to camp in Darién Province and conduct operations against rebels who had take refuge there."

28. "President-elect, Foreign Minister on Guerrillas's Presence," *ACAN* (Panama City), 3 June 1999, FBIS FTS19990603001293.

29. "Two Tourist Helicopters Hijacked in Panama, Passengers Released," *Associated Press*, 3 November 1999, Internet, Colombian Labor Monitor (list service), Internet site at <[cml-news.prairienet.org](http://cml-news.prairienet.org)>, accessed 3 November 1999. Also see "As of Today" [editorial], *La Prensa* (Panama City), 4 November 1999, FBIS FTS19991105001320.

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31. Angel Sierra, "The Guerrillas in La Miel," *Telemetro Television Network* (Panama City), report series 31 May-2 June 1999, FBIS FTS19990605000011.

32. "Roundup of Rebel, Paramilitary Groups' Presence in Border."

33. *Ibid.*

34. "President-elect, Foreign Minister on Guerrillas's Presence."

35. Jahiro Polo, "Police Confirm Shooting at Colombia-Panama Border," *La Prensa* (Panama City), 23 February 2000, FBIS LAP20000223000036. In "Panama, In the Jaws of War," *Semana Magazine*, 27 September 1999. The military presence on the border was reported: Panama, 1,500 men in five border posts with 1,500 more forthcoming as reinforcements; Colombia, 1,500 to 2,000 men in one navy brigade and three battalions.

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38. US Committee for Refugees, Country Reports "Panama," Internet site at <[www.refugees.org/world/countryrpt/amer\\_carib/panama.htm](http://www.refugees.org/world/countryrpt/amer_carib/panama.htm)>, accessed 29 March 00.

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40. World Bank Group, Development Data, Internet site at <[http://www.worldbank.org/data/countrydata/aag/pan\\_aag.pdf](http://www.worldbank.org/data/countrydata/aag/pan_aag.pdf)>, accessed 30 March 2000.

41. US State Department, Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report* 1999.

42. General Charles Wilhelm, "Testimony before the Senate Armed Services Committee."

43. US State Department, Bureau of Western Hemisphere Affairs, "Background Notes: Panama."

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47. Hermes Sucre Serrano, "SPI Director on Preparations for Canal's Protection."

48. Aristides Cajar Paez, "Minister Discusses Security Plan," *La Prensa* (Panama City), 24 February 2000, FBIS LAP20000224000025.

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